General Short Form Disclosure Statement
For the Nine Months Ended 30 September 2010

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General Disclosures

Registered Bank

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch (“Branch”)
1 Queen Street
Auckland
New Zealand

Overseas Bank

The principal office of The Hongkong and Shanghai Banking Corporation Limited (“HBAP”) is:
1 Queen's Road Central
Hong Kong SAR

HBAP was incorporated in Hong Kong in 1866 under the Laws of Hong Kong.

Ultimate Holding Company

The ultimate holding company of HBAP is:
HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom

Access to parental disclosures

The most recent publicly available financial statements disclosure made by the ultimate holding company in relation to capital adequacy requirement or risk management processes implemented by the ultimate holding company can be found at HSBC Holdings plc’s website, www.hsbc.com.

Ranking of Local Creditors in a Winding-up

Under Section 265(1) (db) of the Companies Ordinance of the Hong Kong SAR which HBAP is subject to, in the event of a winding up of HBAP, there shall be paid in priority to all other unsecured debts the aggregate amount held on deposit, up to a maximum of HKD100,000, to each depositor and that this Section has no geographic limitation. Save as aforesaid, the Directors believe that no other material legislative or regulatory restrictions exist which subordinate the claims of any class of the Branch’s unsecured creditors on the global assets of HBAP to those of any other class of unsecured creditors of HBAP, in a winding up of HBAP.

Insurance and non-financial activities

The Overseas Bank does not conduct any insurance business or non-financial activities in New Zealand outside the Banking Group. The Banking Group does not conduct any insurance business.

Marketing and distribution of insurance products

The Branch markets and distributes both life and general insurance products. The life and general insurance products are underwritten by external third party insurance companies. Disclosure statements are made in all marketing material that the products are underwritten by those companies and the Branch does not guarantee the obligations of, or any products issued by, those companies.

Guarantee Arrangements for Overseas Bank

No material obligations of the Overseas Bank are guaranteed.

General Disclosures *(continued)*

Government Guarantee

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ("the Registered Bank") had a government guarantee under the New Zealand retail deposit guarantee scheme which expired on 12 October 2010.

Prior to 1 January 2010 the government guarantee was provided by means of a crown Deed of Guarantee (Registered Bank) executed on 7 November 2008. From 1 January 2010 the government guarantee was provided by means of a Crown Deed of Guarantee (Registered Bank) dated 16 December 2009 (together the "Deeds of Guarantee").

The government guarantee guaranteed the Registered Bank's obligations to pay money (whether present or future) to a *Creditor* under a *Debt Security* subject to a maximum liability cap of one million New Zealand dollars ($1,000,000) to each *Creditor*. A *Related Party* of the Registered Bank or a *Financial Institution* were not covered by the government guarantee. The government's liability to non residents or *Specified Creditors* was limited to the aggregate *Indebtedness* owed to *those Specified Creditors* as at 12 October 2008 and allowing for growth in that *Indebtedness* of an additional 10% per annum. The government guarantee extended to payment obligations of the Registered Bank under *Debt Securities* held by:

(a) the trustee of the HSBC Cash Fund on the terms and conditions of a Crown Deed of Nomination (Unit Trust) dated 6 May 2009 as amended by Deeds of Amendment of the Crown Deed of Nomination (Unit Trust) dated 20 November 2009 and 27 November 2009; and

(b) the trustee of the HSBC Term Fund on the terms and conditions of a Crown Deed of Nomination (Unit Trust) dated 6 May 2009 as amended by Deeds of Amendment of the Crown Deed of Nomination (Unit Trust) dated 20 November 2009 and 27 November 2009,

each such trustee being a *Nominated Beneficiary*.

Terms in italics in this section are defined in the Deed of Guarantee.

The government guarantee expired on 12 October 2010.

Other conditions of eligibility for the government guarantee are contained in clause 2 of the Deed of Guarantee.

The above information concerning the Deed of Guarantee is intended as a summary only. A copy of the Deed of Guarantee and additional information about the retail deposit guarantee scheme is available free of charge and at all reasonable times on the internet site maintained by, or on behalf of, the Treasury. The Treasury website can be accessed at http://www.treasury.govt.nz/economy/guarantee/retail/approved/t-z.

The name and address for service of the government guarantor is:
Secretary to the Treasury
1 The Terrace
Wellington 6011
New Zealand

The most recent audited financial statements of the government are available from the Treasury website, http://www.treasury.govt.nz/government/financialstatements/

The New Zealand government has the following credit ratings in respect of its long term obligations which are payable in New Zealand dollars:

	Current Rating	Previous credit rating (if changed in the previous two years)
Moody's Investor Service Inc.	Aaa (stable outlook)	n/a
Standard & Poor's Corporation	AAA(stable outlook)	n/a
Fitch IBCA Inc	AAA(negative outlook)	AAA(stable outlook)

General Disclosures *(continued)*

Government Guarantee (*continued*)

Rating scales are:

Credit Ratings	**Moody's (a)**	**S&P (b)**	**Fitch (b)**
Highest quality/Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/Very strong	Aa	AA	AA
Upper medium grade/Strong	A	A	A
Medium grade (lowest investment grade)/Adequate	Baa	BBB	BBB
Predominantly speculative/Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/Great vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
Defaulted on obligations		D	D

(a) Moody's - A numeric modifier is applied to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter-rating category, (2) in mid-range, (3) in lower end.

(b) Standard & Poor's and Fitch – Ratings are modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

On 25 August 2009 an extension to the New Zealand retail deposit guarantee scheme was announced ("new scheme"). The new scheme is effectively a new government guarantee and has different terms and conditions. The new scheme commenced on 12 October 2010 and ends on 31 December 2011. Institutions covered by the current government guarantee are not automatically covered by the new scheme. Interests in collective investment schemes such as the HSBC Cash Fund and the HSBC Term Fund are not covered by the new scheme. The Registered Bank did not apply to have a guarantee under the new scheme and is therefore not covered by the new scheme. Further details of the new scheme are available from the Treasury website: http://www.treasury.govt.nz/economy/guarantee/retail

Other Material Matters

There are no material matters that, if disclosed, would adversely effect the decision of a person to subscribe for Debt Securities of which the Registered Bank is the issuer.

Pending Proceedings and Arbitration

HBAP is named in and is defending legal actions in various jurisdictions arising from its normal business.

Audit

This General Short Form Disclosure Statement has not been subject to audit or review by an external auditor.

New Zealand Chief Executive Officer/Responsible Person

The New Zealand Chief Executive Officer, David James Howard Griffiths, has been authorised in writing by each Director named below, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, to sign this General Disclosure Statement on the Directors' behalf. Accordingly, David James Howard Griffiths is a Responsible Person under the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008 (New Zealand).

David James Howard Griffiths
Chief Executive Officer New Zealand Branch. Joined the HSBC Group in 1976 and resides in New Zealand.

Communications addressed to the responsible person may be sent to:
c/o The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch
PO Box 5947
Wellesley Street
Auckland
New Zealand

General Disclosures *(continued)*

Dealings with Responsible Person

No dealings with any responsible person or director, the immediate relative or professional associate of a responsible person or director, have been entered into by HBAP and the Banking Group other than those given in the ordinary course of business.

Board of Directors of HBAP

The Directors of the Overseas Bank at the time this General Short Form Disclosure Statement was signed are:

Michael Francis Geoghegan, CBE (Chairman)
Leaving Certificate of Commerce, Rathmines College, 1972; ‘O’ Levels, Douai Public School, Berks, 1970
Executive Director and Group Chief Executive, HSBC Holdings plc

Dr William Fung Kwok Lun, SBS, OBE (Non-Executive Deputy Chairman)
BSE, Princeton University, 1970 and MBA, Harvard Graduate School of Business, 1972
Honorary Doctorate of Business Administration, Hong Kong University of Science & Technology, 1999
Group Managing Director, Li & Fung Limited

Laura Cha May Lung, GBS (Non-Executive Deputy Chairman)
B.A., University of Wisconsin-Madison, 1972; Juris Doctor, University of Santa Clara Law School, 1982; and admitted to practice in the State of California and in Federal Courts, 1983
Company Director

Peter Wong Tung Shun (Chief Executive)
Bachelor of Arts, Indiana University, 1974; Master of Business Administration, Indiana University, 1976
Master of Science, Indiana University, 1978
Chief Executive, The Hongkong and Shanghai Banking Corporation Ltd

Dr Raymond Ch’ien Kuo Fung, GBS, CBE
B.A., Rockford College, 1973; Master of Arts and Doctor of Philosophy (Economics), University of Pennsylvania, 1976 and 1978
Chairman, CDC Corporation and Chairman, China.com Inc.

Alexander Andrew Flockhart, CBE
Degree in Law, Edinburgh University, 1973
Chairman, Personal and Commercial Banking and Insurance, HSBC Holdings plc

*** Stephen Keith Green**
First Class Honours Degree in Politics, Philosophy & Economics, Exeter College, Oxford University, 1969; and Master of Science Degree in Political Science, Massachusetts Institute of Technology, 1975
Group Chairman, HSBC Holdings plc

*** Stuart Thomson Gulliver**
Masters Degree in Jurisprudence, Worcester College, Oxford University, 1980
Chairman, Europe, Middle East and Global Businesses, HSBC Holdings plc

*** Naina Lal Kidwai**
Bachelor of Arts degree (Honours Course) in Economics, Delhi University, examined in 1977, certificate awarded 4 March 1978; Masters in Business Administration, Harvard University, 1982
Group General Manager and Country Head, HSBC India

Margaret Leung Ko May Yee
Bachelor of Social Sciences, University of Hong Kong, 1975
Vice-Chairman and Chief Executive, Hang Seng Bank Limited

Victor Li Tzar Kuoi
B.Sc, and M.Sc., Stanford University, 1986
Managing Director and Deputy Chairman, Cheung Kong (Holdings) Limited

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

Dr Lo Ka Shui, GBS
B.Sc. (Hons) Biophysics, McGill University, 1970; M.D. Cornell University, 1974; Residency, American Board of Internal Medicine, University of Michigan, 1976; and Fellowship, American Board of Cardiology, University of Michigan, 1979
Chairman and Managing Director, Great Eagle Holdings Limited

*** Zia Mody**
Master of Laws, Harvard University, 1979; Bachelor of Arts (Law), Cambridge University, 1978
Partner, AZB & Partners

Christopher Dale Pratt
M A Modern History, Oxford University, 1978
Chairman, John Swire & Sons (H.K.) Limited

***Andreas Sohmen-Pao**
First Class Honors Degree in Oriental Studies, Oxford University, 1994; Master in Business Administration with distinction, Harvard University Graduate School of Business, 1997; Master of Arts, Oxford University, 2000
Chief Executive Officer, BW Maritime Pte Ltd

Thomas Brian Stevenson, SBS
Bachelor of Laws, Glasgow University, Scotland, 1965; Master of Laws, University of Hong Kong, 2001; Member, Institute of Chartered Accountants of Scotland, 1968; Fellow, Hong Kong Institute of Certified Public Accountants; and Member, Certified Public Accountants of Singapore.
Chartered Accountant

Dr Patrick Wang Shui Chung
B.Sc. and M.Sc., in Electrical Engineering, Purdue University, Indiana USA, 1972.
Honorary Doctorate of Engineering, Purdue University in Indiana, USA, 2004.
Chairman and Chief Executive Officer, Johnson Electric Holdings Ltd

***David Wei Zhe**
Bachelor’s Degree in International Business Management, Shanghai International Studies University, 1993.
Corporate Finance Program, London Business School, 1998
Chief Executive Officer, Alibaba.com Limited

Dr Rosanna Wong Yick-Ming, DBE
B.Soc.Sc, University of Hong Kong 1975; MSW, University of Toronto 1979; M.Sc. in Social Policy and Planning, London School of Economics and Political Science, University of London 1983; Diploma in Executive Management, Chinese University of Hong Kong 1985; M.A. and Doctor Degree in Sociology, University of California, Davis 1993 and 1997
Executive Director, The Hong Kong Federation of Youth Groups

Marjorie Yang Mun Tak
B.Sc. in Mathematics, Massachusetts Institute of Technology, 1974; and Master of Business Administration, Harvard Business School, 1976
Chairman, Esquel Holdings Inc

Country of Residence
With the exception of those denoted with an *, all directors reside in Hong Kong. Stephen Keith Green and Stuart Thomson Gulliver reside in the United Kingdom, Zia Mody and Naina Lal Kidwai reside in India, Andreas Sohmen-Pao resides in Singapore and David Wei Zhe resides in China.

Communications addressed to the Directors may be sent to:
c/o The Hongkong and Shanghai Banking Corporation Limited
GPO Box 64
Hong Kong

General Disclosures *(continued)*

Change in Board of Directors for HBAP

The composition of the Board of Directors has changed since the publication of the General Disclosure Statement for the year ended 31 December 2009.

Ms Naina Lal Kidwai was appointed as a non-executive director of HBAP with effective from 8 October 2010.

Supplemental Disclosure

Copies of the most recent publicly available financial statements which are included in the Financial Review, Directors' Report and Accounts of HBAP will be provided immediately at no charge at 1 Queen Street, Auckland and within five working days from our New Zealand branch network. No financial information, other than that included in the Financial Review, Directors' Report and Accounts of the HBAP Group, is publicly available for HBAP. A copy of the Deed of Government Guarantee will be provided at no charge at 1 Queen Street, Auckland and within five working days from our New Zealand branch network.

Concentration of Credit Exposures to Individual counterparties

The Registered Bank in New Zealand has no credit exposures including exposures to any OECD Government, equal to or in excess of 10% of the Overseas Bank's equity, during the current reporting period and the previous corresponding period. These exposures do not include exposures to counterparties if they are booked outside of New Zealand.

Credit Rating

HBAP has the following long term debt ratings for non-HK$ long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars:

	Current Rating	**Previous credit rating (if changed in the previous two years)**
Moody's Investor Service Inc.	Aa1 (stable outlook)	n/a
Standard & Poor's Corporation	AA (negative outlook)	n/a
Fitch IBCA Inc.	AA (stable outlook)	n/a

Rating History of HBAP

	Date of change	**Previous credit rating**
Moody's Investor Service Inc.	December 2007	Aa2
Standard & Poor's Corporation	July 2006	AA-
Fitch IBCA Inc.	June 2005	AA

Rating scales are:

Credit Ratings	**Moody's (a)**	**S&P (b)**	**Fitch (b)**
Highest quality/Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/Very strong	Aa	AA	AA
Upper medium grade/Strong	A	A	A
Medium grade (lowest investment grade)/Adequate	Baa	BBB	BBB
Predominantly speculative/Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/Great vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
Defaulted on obligations		D	D

(a) Moody's - A numeric modifier is applied to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter-rating category, (2) in mid-range, (3) in lower end.

(b) Standard & Poor's and Fitch – Ratings are modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Conditions of Registration

The Hongkong and Shanghai Banking Corporation Limited
New Zealand Branch
Conditions of Registration as from 26 November 2007

The registration of the New Zealand Branch of The Hongkong and Shanghai Banking Corporation Limited ('the Registered Bank') is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

2. That the banking group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the banking group's insurance business:

      (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

         - the total consolidated assets of the group headed by that entity;

         - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

      (b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

      (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

      (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

3. That the business of the Registered Bank does not constitute a predominant proportion of the business of The Hongkong and Shanghai Banking Corporation Limited.

Conditions of Registration *(continued)*

4. That no appointment to the position of the New Zealand chief executive officer of the Registered Bank shall be made unless:

    (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

    (ii) the Reserve Bank has advised that it has no objection to that appointment.

5. That The Hongkong and Shanghai Banking Corporation Limited complies with the requirements imposed on it by the Hong Kong Monetary Authority.

6. That The Hongkong and Shanghai Banking Corporation Limited complies with the following minimum capital adequacy requirements, as required by the Banking Ordinance of Hong Kong:

    - Tier one capital of The Hongkong and Shanghai Banking Corporation Limited is not less than 4 percent of risk weighted exposures; and

    - Capital of The Hongkong and Shanghai Banking Corporation Limited is not less than 8 percent of risk weighted exposures.

7. That liabilities of the Registered Bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ$15 billion.

For the purposes of these conditions of registration, the term “Banking Group” means the New Zealand operations of The Hongkong and Shanghai Banking Corporation Limited and all New Zealand incorporated subsidiaries of The Hongkong and Shanghai Banking Corporation Limited.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

Dollars in Thousands	Note	**Unaudited 9 months 30.09.10**	Unaudited 9 months 30.09.09	Audited 12 months 31.12.09
Interest income		**161,417**	201,525	266,178
Interest expense		**(93,782)**	(128,247)	(168,803)
Net interest income		**67,635**	73,278	97,375
Net trading income		**9,350**	11,610	13,896
Other net operating income		**28,384**	17,992	25,104
Operating income		**105,369**	102,880	136,375
Operating expenses		**(42,434)**	(44,495)	(57,287)
Operating profit before provisions and tax		**62,935**	58,385	79,088
Provisions for loan impairment	6	**(6,498)**	(6,840)	(6,488)
Operating profit before tax		**56,437**	51,545	72,600
Income tax expense		**(17,442)**	(13,118)	(21,869)
Profit after tax		**38,995**	38,427	50,731
Other comprehensive income				
Cashflow hedges		**(5,153)**	391	299
Available-for-sale financial assets		**319**	78	629
Income tax expense on other comprehensive income		**1,443**	14	(316)
Other comprehensive income for the period		**(3,391)**	483	612
Total comprehensive income for the period		**35,604**	38,910	51,343

The notes on pages 15 – 25 form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

Dollars in Thousands	**Unaudited 9 months 30.09.10**	Unaudited 9 months 30.09.09	Audited 12 months 31.12.09
Head Office Account *			
At beginning of period	**24,607**	19,777	19,777
Repatriation to Head Office	**(52,612)**	(45,901)	(45,901)
Profit after tax	**38,995**	38,427	50,731
At end of period	**10,990**	12,303	24,607
Cashflow Hedging Reserve			
At beginning of period	**1,076**	867	867
Movement in the fair value of derivatives	**(4,065)**	1,760	2,091
Amortisation of previously terminated swaps to profit or loss	**(1,088)**	(1,369)	(1,792)
Tax on movements and transfers	**1,535**	85	(90)
At end of period	**(2,542)**	1,343	1,076
Available for Sale Reserve			
At beginning of period	**(263)**	(666)	(666)
Movement in the fair value of debt and equity securities	**284**	1,064	1,615
Transfers to profit or loss on disposal of debt securities	**-**	(837)	(837)
Tax on movements and transfers	**(92)**	(71)	(226)
Transfers to profit or loss on disposal of equity securities	**35**	(149)	(149)
At end of period	**(36)**	(659)	(263)
Other Reserve			
At beginning of period	**1,261**	723	723
Amortisation of share options granted	**269**	623	669
Movement in respect of share-based payment arrangements	**(9)**	(150)	(131)
At end of period	**1,521**	1,196	1,261
Equity at end of period	**9,933**	14,183	26,681
Represented by:			
Profit after tax	**38,995**	38,427	50,731
Other comprehensive income	**(3,391)**	483	612
Total comprehensive income for the period	**35,604**	38,910	51,343
Repatriation to Head Office	**(52,612)**	(45,901)	(45,901)
Movement in other reserve	**260**	473	538
Equity at beginning of period	**26,681**	20,701	20,701
	9,933	14,183	26,681

* The Head Office account is interest free, repayable at the discretion of the Head Office and subordinate to all other debts.

The notes on pages 15 – 25 form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

Dollars in Thousands	**Unaudited 30.09.10**	Unaudited 30.09.09	Audited 31.12.09
ASSETS			
Cash and demand balances with central banks	**516,768**	485,194	546,403
Advances to banks	**22,019**	1,845	1,946
Debt and equity securities	**538,661**	588,431	538,965
Derivative financial instruments	**180,447**	160,452	165,377
Advances to customers	**3,030,757**	3,449,876	3,307,337
Amounts due from related parties	**263,187**	162,680	169,268
Other assets	**15,339**	15,775	15,410
Current taxation	**5,427**	659	-
Deferred taxation	**5,520**	3,272	3,426
Intangible assets	**19,534**	20,383	20,171
Fixed assets	**1,832**	2,256	2,067
Total Assets	**4,599,491**	4,890,823	4,770,370
LIABILITIES			
Deposits by banks	**105,212**	57,637	62,496
Derivative financial instruments	**187,599**	174,099	166,627
Customer deposits	**2,469,124**	2,749,046	2,850,555
Debt securities	**659,130**	929,232	778,538
Amounts due to related parties	**1,134,327**	930,172	841,835
Other liabilities	**34,166**	36,454	35,062
Current taxation	**-**	-	8,576
Total Liabilities	**4,589,558**	4,876,640	4,743,689
Net Assets	**9,933**	14,183	26,681
EQUITY			
Head Office Account	**10,990**	12,303	24,607
Cashflow Hedging Reserve	**(2,542)**	1,343	1,076
Available for Sale Reserve	**(36)**	(659)	(263)
Other Reserve	**1,521**	1,196	1,261
Total Equity	**9,933**	14,183	26,681

The notes on pages 15 – 25 form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

Dollars in Thousands	**Unaudited 9 months 30.09.10**	Unaudited 9 months 30.09.09	Audited 12 months 31.12.09
Cash flows from / (to) operating activities			
Interest received	**164,980**	216,978	277,732
Fees and commissions	**28,182**	16,739	23,820
Realised trading gain / (loss)	**4,371**	(33,285)	(45,444)
Interest paid	**(98,432)**	(141,394)	(181,112)
Operating expenses	**(42,095)**	(49,033)	(59,096)
Taxation paid	**(32,096)**	(21,001)	(21,001)
Net cash flows from / (to) operating activities before changes in operating assets and liabilities	**24,910**	(10,996)	(5,101)
Changes in operating assets and liabilities arising from cash flow movements			
Cash was provided net from/applied net (to):			
Debt securities purchased	**588**	224,527	274,534
Advances to customers	**261,541**	624,944	742,821
Advances to banks	**-**	40,000	40,000
Amounts due from related parties	**(29,957)**	184,618	168,329
Other assets	**(1,047)**	2,815	4,250
Other liabilities	**4,127**	(3,776)	(6,469)
Debt securities issued	**(22,308)**	(548,464)	(699,158)
Deposits by banks	**(941)**	(11,067)	(11,362)
Customer deposits	**(411,169)**	(190,653)	(247,156)
Net change in operating assets and liabilities	**(199,166)**	322,944	265,789
Net cash flows from operating activities	**(174,256)**	311,948	260,688
Cash flows from / (to) investing activities			
Proceeds from sale of fixed assets	**3**	2	4
Purchase of fixed assets	**(397)**	(493)	(581)
Net cash flows from / (to) investing activities	**(394)**	(491)	(577)
Cash flows from / (to) financing activities			
Debt securities issued	**(97,100)**	(103,100)	(103,100)
Amounts due to related parties	**316,341**	(16,076)	(130,563)
Repatriation to head office	**(52,612)**	(45,901)	(45,901)
Net cash flows from / (to) financing activities	**166,629**	(165,077)	(279,564)
Net increase / (decrease) in cash and cash equivalents	**(8,021)**	146,380	(19,453)
Effect of exchange rate fluctuations on cash held	**5,966**	58,150	60,147
Cash and cash equivalents at beginning of period	**(620,619)**	(661,313)	(661,313)
Cash and cash equivalents at end of period	**(622,674)**	(456,783)	(620,619)

The notes on pages 15 – 25 form part of and should be read in conjunction with these interim financial statements

STATEMENT OF CASH FLOWS *(continued)*
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

Dollars in Thousands	**Unaudited 9 months 30.09.10**	Unaudited 9 months 30.09.09	Audited 12 months 31.12.09
Analysis of cash and cash equivalents			
Cash and demand balances with central banks	**516,768**	485,194	546,403
Advances to banks – demand	**22,019**	1,845	1,946
Advances to customers – demand	**117,219**	151,205	123,423
Balance due from related parties – demand	**77,903**	23,595	13,833
Balance due to related parties – demand	**(33,723)**	(32,323)	(56,759)
Deposits by banks – demand	**(95,505)**	(46,694)	(51,848)
Deposits by customers - demand	**(1,227,355)**	(1,039,605)	(1,197,617)
	(622,674)	(456,783)	(620,619)
Reconciliation of operating profit to net cash flows from operating activities			
Profit after tax	**38,995**	38,427	50,731
Adjustments to reconcile profit after tax to net cash flow from operating activities:			
Change in interest accruals and deferred income	**(1,087)**	2,306	(755)
Change in mark to market accruals	**(5,216)**	(45,162)	(59,648)
Depreciation	**630**	796	1,035
Amortisation of intangible asset	**636**	636	848
Change in deferred income and accrued expense	**(1,186)**	(6,443)	(4,397)
Amortisation of share options granted	**260**	473	669
Impairment charge / (release) on loans and advances	**6,498**	6,840	6,488
(Gain) / loss on disposal of debt securities	**-**	(837)	(837)
(Gain) / loss on disposal of available-for-sale equity securities	**35**	(149)	(149)
(Gain) / loss on vesting of Achievement Shares	**-**	-	10
(Gain) / loss on disposal of fixed assets	**(1)**	-	36
Current / deferred taxation	**(14,654)**	(7,883)	868
Adjust operating cash flows not included in profit after tax:			
Net change in operating assets and liabilities	**(199,166)**	322,944	265,789
Net cash flows from operating activities	**(174,256)**	311,948	260,688

The notes on pages 15 – 25 form part of and should be read in conjunction with these interim financial statements

Notes to and forming part of the Interim Financial Statements

1. Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

Reporting Entity

These interim financial statements are for the New Zealand operations of The Hongkong and Shanghai Banking Corporation Limited ("HBAP") and all New Zealand incorporated subsidiaries of HBAP and controlled special purpose entities, which together represent the "Banking Group".

The following entities have been considered for aggregation to form the Banking Group:

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ("Branch")

HSBC Nominees (New Zealand) Limited
This entity is the Branch's nominee company which provides custodian services. HSBC Nominees (New Zealand) Limited is wholly owned by HBAP. Income and expenses of the custodian services business are included in the Branch's financial statements.

HSBC Investments New Zealand Limited
This entity provides fund management services to customers and commenced trading operations in June 2008. HSBC Investments New Zealand Limited is wholly owned by HSBC Asia Pacific Holdings (UK) Limited which is wholly owned by HBAP.

Due to the immaterial nature of the investments and results of both HSBC Nominees (New Zealand) Limited and HSBC Investments New Zealand Limited for the nine months ended 30 September 2010, management has decided to exclude both subsidiaries from the financial statements of the Banking Group. The companies are both incorporated in New Zealand.

HSBC Cash Fund
The HSBC Cash Fund is a unit trust set up in June 2008 following the introduction by the New Zealand Inland Revenue of the Portfolio Investment Entity ("PIE") regime. The HSBC Cash Fund is managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Cash Fund is administered in accordance with the trust deed. All funds received into the HSBC Cash Fund are placed with the Branch and have been included in the Branch financial results as Customer Deposits.

HSBC Term Fund
The HSBC Term Funds are unit trusts, the first set up in April 2009, following the introduction by the New Zealand Inland Revenue of the Portfolio Investment Entity ("PIE") regime. The HSBC Term Funds are managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Term Fund is administered in accordance with the trust deed. All funds received into the HSBC Term Fund are placed with the Branch and have been included in the Branch financial results as Customer Deposits.

Non-Banking Group Entities

The following New Zealand incorporated entities do not form part of the Banking Group as defined in the Conditions of Registration. They are ultimately wholly owned by HSBC Holdings plc and HBAP is not their parent entity.

HSBC International Trustee (New Zealand) Limited and ***HSBC International Trustee Limited, New Zealand Branch*** provide trustee services to an international client base. HSBC International Trustee (New Zealand) Limited is a wholly owned subsidiary of Bermuda Asia Pacific Holdings Limited, incorporated in the Cook Islands. HSBC International Trustee Limited is a body corporate incorporated in British Virgin Islands.

Non-controlled Special Purpose Entities

The following New Zealand incorporated entities do not form part of the Banking Group as defined in the Conditions of Registration. The Banking Group does not control the Special Purpose Entities.

HSBC Global Unit Trusts
The HSBC Global Unit Trusts were set up in August 2009 to support the local launch of HSBC Group Investment Funds under the Portfolio Investment Entity ("PIE") structure and branded locally as HSBC Investments New Zealand Limited Global Unit Trusts.

Notes to and forming part of the Interim Financial Statements *(continued)*

1. Statement of Accounting Policies *(continued)*

Non-controlled Special Purpose Entities (continued)

The HSBC Global Unit Trusts are managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Global Unit Trusts funds are administered in accordance with the trust deed. Funds received into the HSBC Global Unit Trusts are primarily invested in shares of a sub-fund HSBC Global Investment Funds, an investment company incorporated in the Grand Duchy of Luxembourg. HSBC Investment Funds (Luxembourg) S.A., the manager of the Sub-funds is part of HSBC Global Asset Management. There are currently four funds offered; HSBC China Fund, HSBC BRIC Fund, HSBC India Fund and HSBC Asia ex Japan Fund.

HSBC World Selection Funds
The HSBC World Selection Funds were established on 18 January 2010 to support the local launch of HSBC Portfolios under the Portfolio Investment Entity ("PIE") structure.

The HSBC World Selection Funds are managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC World Selection Funds are administered in accordance with the HSBC Investments New Zealand Master Unit Trust Deed. Funds received into the HSBC World Selection Funds are invested primarily in shares of a sub-fund of HSBC Portfolios, an investment company incorporated in the Grand Duchy of Luxembourg. HSBC Investment Funds (Luxembourg) S.A. is the manager of the HSBC Portfolios and HSBC Global Asset Management (UK) Limited is the investment adviser. Both the manager and investment adviser are part of HSBC Global Asset Management. There are currently three funds; HSBC World Selection – Foundation Fund, HSBC World Selection – Frontier Fund, and HSBC World Selection – Horizon Fund.

Basis of consolidation

As the Branch and Banking Group's financial performance and position are the same in all material respects, a single set of Banking Group numbers is presented.

Special purpose entities

The Banking Group has established special purpose entities ('SPEs'), the HSBC Cash Fund, the HSBC Term Funds, the HSBC Global Unit Trusts and the HSBC World Selection Funds.

The Banking Group does not have any direct or indirect unit holding in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Banking Group and the SPE's risks and rewards, the Banking Group concludes that it controls the SPE. The SPEs controlled by the Banking Group are established under terms that impose strict limitations on the decision making powers of the SPEs' management and operates in a predetermined way such that virtually all rights, obligations and aspects of their activities are controlled through these terms.

Transactions eliminated on consolidation

Intra-group balances are eliminated in preparing the Banking Group financial statements.

Basis of Reporting

These interim financial statements are prepared and presented in accordance with the Financial Reporting Act 1993, the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008, the Reserve Bank of New Zealand Act 1989, and all applicable financial reporting standards and other generally accepted accounting practices in New Zealand.

Measurement Base

These interim financial statements are based on the general principles of historical cost accounting, as modified by the revaluation of certain assets and liabilities. The going concern concept of accounting has been adopted. All amounts are expressed in New Zealand currency, the presentation currency, and all references to "$" is to New Zealand dollars unless otherwise stated.

Notes to and forming part of the Interim Financial Statements *(continued)*

1. Statement of Accounting Policies *(continued)*

Particular Accounting Policies

These interim financial statements have been prepared in accordance with NZGAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit oriented entities, and should be read in conjunction with the General Disclosure Statement for the year ended 31 December 2009.

The New Zealand Institute of Chartered Accountants has released the following amendments which are not yet effective but will be relevant to the Banking Group. These amendments have not been adopted early and are excluded from application to these interim financial statements.

- NZ IFRS 9 Financial Instruments: Recognition (approved November 2009)

  NZ IFRS 9 'Financial Instruments' introduces new requirements for the classification and measurement of financial assets. The standard is effective for annual accounting periods beginning on or after 1 January 2013 with early adoption permitted. NZ IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information. The Banking Group will adopt the standard in line with HBAP's adoption of IFRS 9. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, management are unable to provide a date by which it plans to apply NZ IFRS 9.

  The main changes to the requirements of NZ IAS 39 are summarised below.

  - All financial assets that are currently in the scope of NZ IAS 39 will be classified as either amortised cost or fair value. The available-for-sale and held-to-maturity categories will no longer exist.

  - Classification is based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Reclassifications between the two categories are prohibited unless there is a change in the entity's business model.

  - A financial asset is measured at amortised cost if two criteria are met: i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and ii) the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Movements in the fair value of financial assets classified at fair value are recognised in profit or loss, except for equity investments where an entity takes the option to designate an equity instrument that is not held for trading at fair value through other comprehensive income. If this option is taken, all subsequent changes in fair value are recognised in other comprehensive income with no recycling of gains or losses to the profit or loss statement. Dividend income would continue to be recognised in the profit or loss statement.

  - An entity is only permitted to designate a financial asset otherwise meeting the amortised cost criteria at fair value through the profit and loss if doing so significantly reduces or eliminates an accounting mismatch. This designation is made on initial recognition and is irrevocable.

  - Financial instruments which contain embedded derivatives are to be classified in their entirety either at fair value or amortised cost depending on whether the contracts as a whole meet the relevant criteria under NZ IFRS 9.

  IFRS 9 is the first instalment in the IASB's planned phased replacement of IAS 39 with a less complex and improved standard for financial instruments. The next steps in the IASB's project will address the classification and measurement requirements for financial liabilities, the impairment of financial assets measured at amortised cost and hedge accounting. The IASB has indicated that it aims to finalise the replacement of IAS 39 by the end of 2010. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments. The impact of IFRS 9, and consequently NZ IFRS 9, may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of NZ IFRS 9 as at the date of publication of these interim financial statements.

Notes to and forming part of the Interim Financial Statements *(continued)*

1. Statement of Accounting Policies *(continued)*

Particular Accounting Policies *(continued)*

- NZ IFRS 7 Amendment to Financial instruments: Disclosures (approved July 2010)

  This amendment is effective for annual accounting periods beginning on or after 1 January 2011. The amendment adds an explicit statement that qualitative disclosures should be made in the context of quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. The application of the revised standard is not expected to have an impact on the Banking Group's financial results.

- NZ IAS 1 Amendment to Presentation of Financial Statements (approved July 2010)

  This amendment is effective for annual accounting periods beginning on or after 1 January 2011. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income are also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The application of the revised standard is not expected to have an impact on the Banking Group's financial results as the revision is only concerned with the presentation of the primary statements and notes.

Comparative Figures

There have been no changes to comparative figures.

Changes in Accounting Policies

The accounting policies have not changed and are the same as those applied by the Banking Group in the General Disclosure Statement for the year ended 31 December 2009.

Risk Management

There has been no material change during the nine months ended 30 September 2010 to the Banking Group's policies for managing risks in relation to credit, currency, interest rates, equality, liquidity or any material business risk to which the Banking Group is exposed.

Liquidity and funding

Ratio of net liquid assets to customer liabilities

The Hong Kong Banking Ordinance requires banks operating in Hong Kong to maintain a minimum liquidity ratio of 25 per cent, calculated in accordance with the provisions of the Fourth Schedule of the Banking Ordinance. This requirement applies separately to the Hong Kong branches of the bank and to those subsidiary companies that are Authorised Institutions under the Banking Ordinance in Hong Kong. This requirement has the potential to impact on the management of the liquidity of the Banking Group.

Notes to and forming part of the Interim Financial Statements *(continued)*

Dollars in Thousands		**Unaudited 30.09.10**	Unaudited 30.09.09	Audited 31.12.09
2.	**Total Retail Term Deposits**	**1,322,308**	1,568,427	1,519,698
3.	**Total Liabilities Net of Amounts Due to Related Parties**	**3,404,731**	3,910,903	3,865,120
4.	**Interest Earning Assets and Interest Bearing Liabilities**			
	Total interest earning and discount bearing assets	**4,370,102**	4,686,562	4,562,912
	Total interest and discount bearing liabilities	**4,141,675**	4,444,897	4,306,201

5. Acceptances and Endorsements

Included in Other Assets are acceptances and endorsements of $3.4 million as at 30 September 2010 (September 2009: $4.7 million, December 2009: $3.1 million).

Included in Other Liabilities are acceptances and endorsements of $3.4 million as at 30 September 2010 (September 2009: $4.7 million, December 2009: $3.1 million).

Notes to and forming part of the Interim Financial Statements *(continued)*

Dollars in Thousands	**Unaudited 30.09.10**	Unaudited 30.09.09	Audited 31.12.09

6. Asset quality

In the current and comparative period there is only one class of impaired financial assets, being loans and advances to customers.

Dollars in Thousands	**Unaudited 30.09.10**	Unaudited 30.09.09	Audited 31.12.09
Gross other individually impaired assets			
Balance at the beginning of the period	**43,900**	33,066	33,066
Exchange adjustment	**(175)**	(884)	(908)
Transfers from performing	**20,648**	28,578	35,770
Transfers to performing	**(605)**	(5,818)	(1,423)
Write-offs	**(3,266)**	(3,470)	(5,142)
Repayment	**(2,939)**	(9,026)	(17,463)
Balance at the end of the period	**57,563**	42,446	43,900
Interest foregone for the period on the above impaired assets	**2,430**	2,096	2,628
Gross advances past due 90 days or more			
Balance at the beginning of the period	**47**	8	8
Transfers in	**2,601**	19,735	19,781
Transfers out to performing	**(57)**	(174)	(19,742)
Transfers to non-performing	**(2,591)**	-	-
Balance at the end of the period	**-**	19,569	47
Specific provisions for loan impairment			
Balance at the beginning of the period	**11,249**	11,531	11,531
New and additional provisions charged to profit and loss	**8,759**	8,927	9,152
Provisions released during the period to profit and loss	**(568)**	(2,861)	(3,384)
Write-offs	**(3,266)**	(3,470)	(5,142)
Exchange adjustment	**(54)**	(885)	(908)
Balance at the end of the period	**16,120**	13,242	11,249
Collective provision for loan impairment			
Balance at the beginning of the period	**3,030**	2,244	2,244
Additional provision charged to profit and loss	**104**	936	936
Provisions released during the period to profit and loss	**(1,549)**	(98)	(150)
Balance at the end of the period	**1,585**	3,082	3,030
Total provisions for loan impairment	**17,705**	16,324	14,279
Profit or loss charge / (credit)			
Provisions for impairment against advances	**8,863**	9,863	10,088
Provisions release no longer required	**(2,117)**	(2,959)	(3,534)
	6,746	6,904	6,554
Recoveries of amounts written off in previous period	**(248)**	(64)	(66)
	6,498	6,840	6,488

There are no real estate assets, other assets acquired through the enforcement of security or assets under administration.

The aggregate amount as at 30 September 2010 of any undrawn balances on lending commitments to counterparties for whom drawn balances fall within the above mentioned class of assets, before deducting allowances for credit impairment loss where applicable, is nil (September 2009: Nil, December 2009: Nil)

Interest foregone on impaired assets is calculated based on the original effective rate before the asset became impaired.

Notes to and forming part of the Interim Financial Statements *(continued)*

7. Risk weighted exposures

Risk weighted exposures are derived in accordance with the Reserve Bank of New Zealand's Capital Adequacy Framework as required by the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Banks) Order 2008.

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The contract amount represents the amount at risk should the contract be fully drawn upon and the client default. The credit equivalent amounts are determined in accordance with the original exposure method under the Reserve Bank of New Zealand's risk weighted capital adequacy guidelines.

Off - balance sheet financial instruments arise from futures, forward, swap and option transactions undertaken by the Branch in the foreign exchange and interest rate markets. Contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Total risk weighted exposure – 30 September 2010 (Unaudited)
On-balance sheet

	Principal Amount	*Risk Weight*	*Risk Weighted Exposure*
	$m	**%**	**$m**
Cash and short-term claims on government	**555.3**	**0.0**	**-**
Claims on banks	**927.6**	**20.0**	**185.5**
Residential mortgages	**986.0**	**50.0**	**493.0**
Other assets	**1,950.1**	**100.0**	**1,950.1**
Non-risk weighted assets	**180.5**	**-**	**-**
	4,599.5		**2,628.6**

Off-balance sheet	*Contract amount*	*Credit equivalent amount*	*Average Counterparty Risk weight*	*Risk Weighted Exposure*
	$m	**$m**	**%**	**$m**
Direct credit substitutes	**55.7**	**55.7**	**40.8**	**22.7**
Transaction related contingent items	**99.8**	**49.9**	**93.6**	**46.7**
Trade related contingent items	**90.6**	**18.1**	**37.0**	**6.7**
Commitments, maturity one year or more	**836.9**	**418.4**	**100.0**	**418.4**
Commitments, maturity up to one year	**616.6**	**-**	**-**	**-**
Market related contracts				
Exchange rate contracts:				
Forwards				
- *Trading*	**4,688.4**	**145.2**	**32.8**	**47.6**
Currency Options				
- *Trading*	**2,993.1**	**144.5**	**33.6**	**48.6**
Cross Currency Swaps				
- *Trading*	**974.6**	**121.2**	**34.7**	**42.0**
Interest rate contracts:				
Swaps				
- *Trading*	**2,359.3**	**92.6**	**29.8**	**27.6**
- *Other than trading*	**434.0**	**8.2**	**19.5**	**1.6**
Interest rate options				
- *Trading*	**20.0**	**0.6**	**50.0**	**0.3**
Total off-balance sheet exposures	**13,169.0**	**1,054.4**		**662.2**
Total risk weighted exposures				**3,290.8**

Residential mortgages by loan-to-valuation ratio as at 30 September 2010	**Principal Amount**
LVR Range	**$m**
0%-80%	**939.8**
81%-90%	**28.6**
Over 90%	**17.6**
Residential mortgages	**986.0**

Notes to and forming part of the Interim Financial Statements *(continued)*

7. Risk weighted exposures *(continued)*

Total risk weighted exposure – 30 September 2009 (Unaudited)
On-balance sheet

	Principal Amount	*Risk Weight*	*Risk Weighted Exposure*
	$m	%	$m
Cash and short-term claims on government	519.8	0.0	-
Claims on banks	915.0	20.0	183.0
Residential mortgages	1,004.2	50.0	502.1
Other assets	2,291.3	100.0	2,291.3
Non-risk weighted assets	160.5	-	-
	4,890.8		2,976.4

Off-balance sheet	*Contract amount*	*Credit equivalent amount*	*Average Counterparty Risk weight*	*Risk Weighted Exposure*
	$m	$m	%	$m
Direct credit substitutes	76.2	76.2	91.5	69.7
Transaction related contingent items	32.8	16.4	94.5	15.5
Trade related contingent items	103.3	20.7	32.4	6.7
Commitments, maturity one year or more	532.7	266.4	100.0	266.4
Commitments, maturity up to one year	917.1	-	-	-
Market related contracts				
Exchange rate contracts:				
Forwards				
- *Trading*	3,609.9	105.2	31.4	33.0
Currency Options				
- *Trading*	832.6	21.4	34.6	7.4
Cross Currency Swaps				
- *Trading*	620.0	110.4	36.2	40.0
Interest rate contracts:				
Swaps				
- *Trading*	1,486.6	55.1	33.0	18.2
- *Other than trading*	487.0	11.5	20.0	2.3
Forwards interest rate agreement				
- *Trading*	220.0	1.1	36.4	0.4
Interest rate options				
- *Trading*	616.0	15.4	26.0	4.0
Total off-balance sheet exposures	9,534.2	699.8		463.6
Total risk weighted exposures				3,440.0

Residential mortgages by loan-to-valuation ratio as at 30 September 2009	Principal Amount
LVR Range	$m
0%-80%	928.6
81%-90%	52.0
Over 90%	23.6
Residential mortgages	1,004.2

Notes to and forming part of the Interim Financial Statements *(continued)*

7. Risk weighted exposures *(continued)*

Total risk weighted exposure – 31 December 2009 (Audited)
On-balance sheet

	Principal Amount	*Risk Weight*	*Risk Weighted Exposure*
	$m	%	$m
Cash and short-term claims on government	583.4	0.0	-
Claims on banks	871.4	20.0	174.3
Residential mortgages	957.7	50.0	478.9
Other assets	2,192.5	100.0	2,192.5
Non-risk weighted assets	165.4	-	-
	4,770.4		2,845.7

Off-balance sheet	*Contract amount*	*Credit equivalent amount*	*Average Counterparty Risk weight*	*Risk Weighted Exposure*
	$m	$m	%	$m
Direct credit substitutes	32.6	32.6	51.5	16.8
Transaction related contingent items	71.5	35.8	91.9	32.9
Trade related contingent items	78.9	15.8	34.2	5.4
Commitments, maturity one year or more	778.3	389.2	100.0	389.2
Commitments, maturity up to one year	898.7	-	-	-
Market related contracts				
Exchange rate contracts:				
Forwards				
- *Trading*	3,430.6	98.8	32.2	31.8
Currency Options				
- *Trading*	3,230.5	141.7	34.9	49.5
Cross Currency Swaps				
- *Trading*	617.0	110.1	36.2	39.9
Interest rate contracts:				
Swaps				
- *Trading*	2,153.2	81.2	29.2	23.7
- *Other than trading*	457.0	11.4	20.2	2.3
Interest rate options				
- *Trading*	416.0	11.2	29.5	3.3
Total off-balance sheet exposures	12,164.3	927.8		594.8
Total risk weighted exposures				3,440.5

Residential mortgages by loan-to-valuation ratio as at 31 December 2009	Principal Amount
LVR Range	$m
0%-80%	900.0
81%-90%	46.4
Over 90%	11.3
Residential mortgages	957.7

8. Market Risk Exposures

Aggregate market risk exposures are derived in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) as stated in clauses 3, 4 and 5 of the Fifth Schedule to the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Registered Banks) Order 2008.

Dollars in Millions	*Implied risk weighted*	*Notional capital*	*% of HBAP's equity*
Exposure at 30 September 2010			
Interest rate risk	**27.1**	**2.2**	**0.00%**
Currency risk	**-**	**-**	**-**
Equity risk	**-**	**-**	**-**
Peak exposure period 1 July 2010 to 30 September 2010			
Interest rate risk	**49.5**	**4.0**	**0.01%**
Currency risk	**3.1**	**0.3**	**-**
Equity risk	**-**	**-**	**-**
Exposure at 30 September 2009			
Interest rate risk	4.6	0.4	0.00%
Currency risk	-	-	-
Equity risk	-	-	-
Peak exposure period 1 July 2009 to 30 September 2009			
Interest rate risk	67.3	5.4	0.01%
Currency risk	1.5	0.1	-
Equity risk	-	-	-
Exposure at 31 December 2009			
Interest rate risk	34.6	2.8	0.01%
Currency risk	-	-	-
Equity risk	-	-	-
Peak exposure period 1 October 2009 to 31 December 2009			
Interest rate risk	61.8	4.9	0.01%
Currency risk	2.3	0.2	-
Equity risk	-	-	-

The peak exposure and period end exposures has been calculated based on the Overseas Bank's group equity as at 30 June 2010, 30 June 2009 and 31 December 2009 respectively.

Notes to and forming part of the Interim Financial Statements *(continued)*

9. Capital Adequacy Ratios

HBAP is subject to the capital requirements as specified by the Hong Kong Monetary Authority (HKMA). From 1 January 2009, the group migrated to the advanced internal ratings-based approach (IRBA) to calculate its credit risk for the majority of its non-securitisation exposures. The group continued to use the internal ratings-based (securitisation) approach to determine credit risk for its securitisation exposures. It also used the standardised (operational risk) approach and standardised (market risk) approach to calculate its operational risk and market risk respectively. An internal models approach was adopted for calculating general market risk, while separate model is used for calculating the market risk relating to equity options. From 30 March 2009, the group adopted an internal models approach to calculate its market risk in respect of specific risk for the interest rate risk category. There are no changes in the approaches used in 2010.

The capital requirements of HKMA are at least equal to those specified under the Basel framework and are not publicly available. HBAP meets, and exceeds, the minimum capital ratio requirements as specified by the HKMA as at 30 June 2010, 31 December 2009 and 30 June 2009.

HBAP reported the following capital adequacy ratios:

	Unaudited 30.06.10	Unaudited 30.06.09	Unaudited 31.12.09
Basel II IRBA Approach			
Core capital ratio	**11.7%**	11.9%	12.2%
Capital adequacy ratio	**14.7%**	15.9%	16.1%

The ratios given for HBAP are for the consolidated HBAP Group, including HBAP and its subsidiary and associated companies. The capital ratios for unconsolidated HBAP are not publicly available.

Directors' Statement

Each Director believes, after due enquiry by them, that:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Registered Banks) Order 2008;
- The Disclosure Statement is not false or misleading;

as at the date on which the Disclosure Statement is signed; and

each Director believes, after due enquiry by them, that:

- the Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied; and
- the Registered Bank has complied with the Conditions of Registration imposed on it pursuant to Section 74 of the Reserve Bank of New Zealand Act 1989;

over the nine months ended 30 September 2010.

For and on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited (as listed on pages 5 to 6) by their attorney, David Griffiths, and also in his capacity as Chief Executive Officer:

David James Howard Griffiths
Chief Executive Officer
New Zealand Branch

23 November 2010

It is confirmed that the said powers of attorney appointing David J H Griffiths are still in force and have not been revoked.